

## Message Text

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43

ACTION NEA-06

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 INR-05 INRE-00

CIAE-00 PM-03 EB-03 DODE-00 SSO-00 L-01 /038 W

----- 104276

O 181603Z MAR 75

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC IMMEDIATE 3419

INFO AMEMBASSY AMMAN IMMEDIATE

AMEMBASSY DAMASCUS IMMEDIATE

AMEMBASSY JIDDA IMMEDIATE

AMCONSUL DHAHRAN IMMEDIATE

C O N F I D E N T I A L BEIRUT 3400

LIMDIS

EO 11652: GDS

TAGS: ENRG ELTN JO LE SA US

SUBJ: TAPLINE LETTER TO GOL: TEXT

REF: JIDDA 1876, STATE 59121

1. FOL IS TEXT OF TAPLINE LETTER OF MAR 17 TO GOL PRIME MINISTER  
DELIVERED 0930 LOCAL MAR 18 TO GOL OILMIN LOUIS ABU SHARAF AND  
THEREAFTER VOLUNTEERED TO EMB BY TAPLINE. TAPLINE AND GOL  
AGREED TO KEEP LETTER SECRET FOR TIME BEING.

2. "AS WE HAVE EXPLAINED IN RECENT DISCUSSIONS WITH REPRESENTATIVES  
OF YOUR EXCELLENCY'S GOVT, TAPLINE IS IN A CRITICAL ECONOMIC  
SITUATION. THE REASON FOR THIS IS THE LACK OF  
DEMAND FOR CRUDE OIL AT SIDON BECAUSE OF CURRENT  
TAX REFERENCE PRICES APPLICABLE THERE AND THE  
SAGGING TANKER RATES. IT IS CONSIDERABLY LESS  
EXPENSIVE TO DELIVER OIL FROM SAUDI ARABIA TO  
EUROPE BY TANKERS GOING AROUND THE CAPE OF GOOD  
HOPE THAN IT IS BY TRANSPORTING OIL THROUGH  
TAPLINE TO SIDON AND ONWARD TO EUROPE BY TANKERS.  
THIS SITUATION HAS BEEN MADE SIGNIFICANTLY WORSE  
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BY THE FACT THAT TAPLINE HAS BEEN AND CONTINUES TO

BE UNABLE TO COLLECT THE PRICE FOR OIL DELIVERED TO THE GOVTS OF LEBANON AND JORDAN IN ACCORDANCE WITH AGREEMENTS WITH THEM, AND THE ALREADY SUBSTANTIAL DEBTS CONTINUE TO INCREASE. IN THE CASE OF LEBANON THE CURRENT DEBT IS OVER \$100 MILLION.

TAPLINE HAS THEREFORE CEASED TRANSPORTING OIL TO SIDON AND, UNLESS THE SITUATION IMPROVES SUFFICIENTLY TO MAKE TAPLINE ECONOMICALLY VIABLE, THE CESSATION WILL OF NECESSITY BECOME PERMANENT. WE ARE CONSIDERING THIS MATTER AND SHALL REACH A FINAL DECISION WITHIN THREE MONTHS. IN THIS CONNECTION, WE ARE PREPARED TO BEGIN NEGOTIATIONS PROMPTLY WITH ALL GOVTS INVOLVED WITH THE AIM OF REACHING A SOLUTION THAT WOULD ENABLE TAPLINE TO CONTINUE OPERATIONS. SUCH SOLUTION, IN OUR OPINION, WILL HAVE TO INCLUDE THE REDUCTION OF TRANSIT AND OTHER PAYMENTS TO THE GOVTS INVOLVED IN A MANNER THAT WOULD GUARANTEE THE COMPETITIVENESS OF THE PIPELINE WITH TANKERS, NOW AND IN THE FUTURE.

DURING THE THREE MONTHS PERIOD MENTIONED ABOVE, TAPLINE WILL CONTINUE TO MAKE DELIVERIES TO THE GOVT FOR THE MEDRECO REFINERY AT THE CURRENT RATE, WITH THE EXPECTATION THAT PROMPT AGREEMENT WILL BE REACHED WITH THE GOVT THAT PAYMENT THEREFOR WILL BE MADE CURRENTLY ON THE BASIS OF THE AGREEMENT OF 17 MAY 1952 AND AT A LEVEL SUFFICIENT TO COVER THE COST OF THE OIL TO TAPLINE, WHICH IS NOW \$12.55 PER BARREL AT 34 DEGREES GRAVITY. WE WOULD ALSO EXPECT ACCEPTABLE ARRANGEMENTS FOR PAYMENT OF DELIVERIES MADE IN THE PAST.

WE MUST POINT OUT TO YOUR EXCELLENCY THAT DUE TO THE LACK OF DELIVERIES AT SIDON FOR EXPORT, THE FEES PAYABLE TO THE GOVT AND WHICH TAPLINE HAS BEEN SETTING OFF AGAINST PAYMENTS DUE FROM THE GOVT FOR THE OIL DELIVERED TO IT HAVE BECOME PRACTICALLY NIL. AT THE SAME TIME, AND FOR THE SAME REASON, TAPLINE'S OPERATING COSTS ALONE HAVE INCREASED BY ABOUT \$3 PER BARREL.

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AGAINST THE POSSIBILITY THAT SOLUTION TO TAPLINE'S SITUATION IS NOT REACHED IN THE NEAR FUTURE, THE GOVT WILL UNDOUBTEDLY MAKE PLANS FOR OBTAINING OIL FROM SOURCES OTHER THAN TAPLINE. FURTHER, IN THAT EVENTUALITY, THE TRANSIT COUNTRIES WOULD NO LONGER BE ABLE TO DEPEND ON TRANSIT AND RELATED PAYMENTS. MEANWHILE,

TAPLINE WILL MAKE EVERY EFFORT TO REDUCE  
ITS OPERATING COSTS WHICH WOULD HAVE TO INCLUDE  
A DRASTIC REDUCTION IN THE SCOPE OF TAPLINE'S  
OPERATIONS IN LEBANON. WE FEEL DUTY BOUND TO  
BRING THIS MATTER TO YOUR EXCELLENCY'S ATTENTION  
IN VIEW OF ANY ECONOMIC AND SOCIAL CONSEQUENCES  
THAT MIGHT ENSUE.

IN CLOSING, WE SINCERELY HOPE IT WILL BE  
POSSIBLE, WITH THE UNDERSTANDING AND COOPEATION  
OF THE GOVTS INVOLVED, TO REACH A SOLUTION  
TO TAPLINE'S SITUATION THAT WOULD PERMIT IT TO  
CONTINUE ITS OPERATIONS AS WELL AS TO  
ENJOY THE GOOD RELATIONSHIP WE HAVE HAD WITH  
YOUR EXCELLENCY'S GOVT FOR MANY YEARS.

RESPECTFULLY,

TRANS-ARABIAN PIPE  
LINE COMPANY

BY-----  
DAVID S. DODGE.

GODLEY

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NNN

## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NEGOTIATIONS, PETROLEUM PIPELINES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 18 MAR 1975  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
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**Disposition Approved on Date:**  
**Disposition Authority:** KelleyW0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Disposition Reason:**  
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**Office:** ACTION NEA  
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**Original Handling Restrictions:** LIMDIS  
**Original Previous Classification:** n/a  
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